Michigan Department of Treasury 496 (Rev.06/08)

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name Village of Sheridan	County MONTCALM	Type \	/ILLAGE	MuniCode	59-3-060
Opinion Date-Use Calendar Jun 27, 2008	Audit Submitted -Use Calendar Jul 21, 2008		Fiscal Year-Use Drop	List	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No"

×	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?										
X	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?										
	3. Were the local unit's actual expenditures within the amounts authorized in the budget?										
X	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?										
X	5. Did the local unit adopt a budget for all required funds?										
X	6. Was a public hearing on the budget held in accordance with State statute?										
X	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?										
×	8 Has the local unit distributed tay revenues, that were collected for another taying unit, timely as required by the general										
X	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?										
×	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)										
X	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)										
X	12. Is the local unit free of repeated reported deficiencies from previous years?										
X	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA										
X	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?										
X	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?										
X	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?										
	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?										
	General Fund Revenue: \$ 321,795.00 General Fund Balance: \$ 471,296.00										
	General Fund Expenditure: \$ 420,439.00 Governmental Activities Long-Term Debt (see \$ 259,755.00										
	Major Fund Deficit Amount: \$ 0.00 Long-Term Debt (see \$ 259,755.00 instructions):										

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Thomas	Last Coulter Name	Ten Digit License Number 1612544						
CPA Street Address 7810 N Alger Rd	City Alma	State MI	Zip Code 48801	Telephone -	+1 (989) 463-6108			
CPA Firm Name Yeo & Yeo PC	Unit's Street Address 115 E Evergreen	St City	Sheridan		LU Zip 48884			

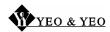
Village of Sheridan

Montcalm County, Michigan

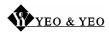
Compiled Financial Statements and Accountants' Report March 31, 2008

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Village of Sheridan List of Elected and Appointed Officials March 31, 2008

Village Council

Brian Russel - President

Doreen Tissue - Treasurer

Marilyn Hancock - Clerk

Daryl Bush - Council Member

Susan McFarland - Council Member

Don Nassif - Council Member

Harold Arrington - Council Member

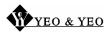
Douglas Abbott - Council Member

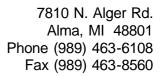
Curtis Sisson - Council Member

Other Officers and Officials

Doug Lane - Village Superintendent

Ed Lingeman – Assistant Village Superintendent







Accountants' Report

To the Village Council Village of Sheridan

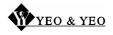
We have compiled the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Sheridan as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the management's discussion and analysis and budget comparison information from information that is the representation of management of the Village of Sheridan, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Yeo & Yeo, P.C.

June 27, 2008 Alma, Michigan



Our discussion and analysis of the Village of Sheridans' financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008.

Total net assets related to the primary government are \$2,251,305. The unrestricted portion of net assets is \$904,032 (see table of net assets on the following page).

In light of continuing State Budget Problems, and constant threat(s) to take away all revenue sharing, the Village has reacted by invoking tighter controls over all expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village of Sheridan as a whole and present a longer-term of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.



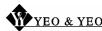
The Village of Sheridan as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008 with comparative totals for March 31, 2007.

Table 1

	 vernmental Activities	siness-type Activities	2008 Total	2007 Total		
Current assets Capital assets, net Total assets	\$ 539,427 445,696 985,123	\$ 344,102 1,783,921 2,128,023	\$ 883,529 2,229,617 3,113,146	\$ 837,892 2,201,883 3,039,775		
Current and long term liabilities	 277,591	584,250	861,841	834,596		
Total net assets	\$ 707,532	\$ 1,543,773	\$ 2,251,305	\$2,205,179		

Village of Sheridan's net assets of governmental activities are \$707,532 and \$1,543,773 for business type activities; of these amounts \$611,074 (governmental) and \$292,958 (business-type) are unrestricted assets.



The following table shows, in a condensed format, the revenues and expenses as of March 31, 2008 with comparative totals for March 31, 2007.

Table 2

Revenue Program revenue	ernmental ctivities		siness-type <u>Activities</u>	2008 <u>Total</u>		2007 <u>Total</u>
Charges for services Capital grants and contributions General revenue	\$ 56,905 -	\$	180,007 -	\$ 236,912	\$	178,503 87,493.00
Property taxes State shared revenue	180,135 127,280		-	180,135 127,280		175,537 129,231
Unrestricted investment earnings Gain on sale of capital assets Miscellaneous	4,273 1,956 15,401		22,318 18,000 17,160	26,591 19,956 32,561		32,548 - 57,072
Total Revenue	385,950		237,485	623,435		660,384
Program expenses						
General government	263,301		-	263,301		199,793
Public safety	57,640		-	57,640		53,945
Public works	32,250		201,560	233,810		323,414
Recreation and culture	14,431		-	14,431		11,718
Interest on long-term debt	 8,127			 8,127		7,079
Total program expenses	 375,749	_	201,560	 577,309		595,949
Change in net assets	\$ 10,201	\$	35,925	\$ 46,126	\$	64,435

Governmental Activities

The Village of Sheridans' total governmental activity revenues were \$385,950 for March 31, 2008 and \$453,452 for March 31, 2007. Total governmental activity revenue decreased due to the Village receiving grant money for the Pearl Lake project during the 2006/2007 fiscal year.

Governmental activity expenditures of \$375,749 and \$381,321 were recorded for March 31, 2008 and 2007 respectively.

Business Type Activities

The Village of Sheridans' business-type activity consists of a Water Fund and a Sewer Fund. The Village provides treated water and municipal sanitary sewer to approximately 705 Village residents.

Village of Sheridan Funds

The fund financial statements provide detailed information about the most significant funds, not the Village of Sheridan as a whole. The Village Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51, Major and Local Street funds for 2008. The Village of Sheridan's governmental major funds include General Fund, and Major and Local Street Funds.

a) General Fund

Functions relating to the general governmental activities of the Village, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had an increase in fund balance of \$7.916 from 2007.

b) Major and Local Street Funds

The State of Michigan provides municipalities revenues from gas and weight taxes to reimburse expenditures for the maintenance and construction of the local street system. The State requires that these expenditures be segregated into a Major Street component and a Local Street component.



General Fund Budgetary Highlights

Over the course of the year, the Village Council and Village administration monitor and amend the budget to account for unanticipated events during the year.

Capital Asset and Debt Administration

At the end of 2008 the Village of Sheridan has \$4,702,154 invested in a wide range of capital assets, including land, buildings, equipment, and water and sewer lines.

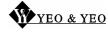
Debt reported in these financial statements is related to the construction of the above-mentioned assets and buildings and is reported as a liability on the statement of net assets.

Economic Factors and Next Year's Budgets and Rates

The Village needs to continue to monitor its budget very closely. The Village needs to either increase revenue or delay expenses by adding new business, increasing the population, or receiving additional economic development grants.

Contacting the Village of Sheridan Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village of Sheridans' finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Village hall.



Village of Sheridan Statement of Net Assets March 31, 2008

		Р	rimar	y Governmer	nt	
	Governmental <u>Activities</u>					Total
Assets						
Cash and cash equivalents	\$	284,454	\$	472,059	\$	756,513
Receivables						
Customers		2,464		44,995		47,459
Accrued interest and other		1,965		3,686		5,651
Deferred bond issuance costs		-		1,364		1,364
Due from other units of government		24,348		-		24,348
Internal balances		224,896		(224,896)		-
Prepaid items		1,300		1,488		2,788
Restricted assets						
Cash and cash equivalents		-		45,406		45,406
Non-depreciable capital assets		90,783		30,835		121,618
Depreciable capital assets, net		354,913		1,753,086		2,107,999
Total assets		985,123		2,128,023		3,113,146
Liabilities						
Accrued and other liabilities		9,399		4,250		13,649
Deferred revenue		5,595		-		5,595
Noncurrent liabilities						
Due within one year		19,415		55,000		74,415
Due in more than one year		240,340		525,000		765,340
Total liabilities		277,591		584,250		861,841
Net Assets						
Invested in capital assets, net of related debt		95,158		1,203,921		1,299,079
Restricted for:						
Bond reserves		-		45,406		45,406
Prepaid items		1,300		1,488		2,788
Unrestricted		611,074		292,958		904,032
Total net assets	\$	707,532	\$	1,543,773	\$	2,251,305

Village of Sheridan Statement of Activities For the Year Ended March 31, 2008

		Program Revenues						Net (Expense) Revenue and Changes in Net Assets Primary Government				
		Charges for		rating ts and	g • • • • • • • • • • • • • • • • •				siness-type	IL		
	Expenses	Services		outions		butions		Activities		Activities		Total
Functions/Programs Primary government Governmental activities												
General government	\$ 263,301	\$ 13,300	\$	-	\$	-	\$	(250,001)	\$	-	\$	(250,001)
Public safety Public works	57,640 32,250	21,802 21,803		-		-		(35,838)		-		(35,838)
Recreation and culture	14,431	21,603		-		-		(10,447) (14,431)		-		(10,447) (14,431)
Interest on long-term debt	8,127					_		(8,127)				(8,127)
Total governmental activities	375,749	56,905				-		(318,844)				(318,844)
Business-type activities												
Sewer	127,523	96,373		-		-		-		(31,150)		(31,150)
Water	74,037	83,634								9,597	_	9,597
Total business-type activities	201,560	180,007				-			_	(21,553)	_	(21,553)
Total primary government	\$ 577,309	\$ 236,912	\$		\$	-		(318,844)		(21,553)		(340,397)
	General reve	nues										
	Property tax							180,135		-		180,135
	State share							127,280		-		127,280
		d investment elle of capital as						4,273 1,956		22,318 18,000		26,591 19,956
	Miscellaneo		3013					15,401		17,160		32,561
	Total gen	eral revenues						329,045		57,478		386,523
	Change in ne	et assets						10,201		35,925		46,126
	Net assets - I	beginning of ye	ear					697,331		1,507,848		2,205,179
	Net assets - 6	end of year					\$	707,532	\$	1,543,773	\$	2,251,305



Village of Sheridan Governmental Funds Balance Sheet March 31, 2008

			_ 5	Special Re						
	GeneralMajo			Major Street Local Street				Total Governmental Funds		
Assets										
Cash and cash equivalents	\$	175,272	\$	60,048	\$	49,134	\$	284,454		
Receivables										
Customers		2,464		-		-		2,464		
Accrued interest and other		1,965		-		-		1,965		
Due from other units of government		13,663		7,047		3,638		24,348		
Due from other funds		327,630 926		- 187		18,631 187		346,261 1,300		
Prepaid items	-	920		107		107		1,300		
Total assets	\$	521,920	\$	67,282	\$	71,590	\$	660,792		
Liabilities										
Accounts payable	\$	2,842	\$	_	\$	_	\$	2,842		
Accrued and other liabilities	*	9,399	•	-	*	-	*	9,399		
Due to other funds		32,788		32,257		56,320		121,365		
Deferred revenue		5,595						5,595		
Total liabilities		50,624		32,257		56,320		139,201		
Fund Balances										
Reserved for:										
Prepaid items		926		187		187		1,300		
Unreserved, reported in:										
General fund		470,370		-		-		470,370		
Special revenue funds				34,838		15,083		49,921		
Total fund balances		471,296		35,025		15,270		521,591		
Total liabilities and fund balances	\$	521,920	<u>\$</u>	67,282	\$	71,590	<u>\$</u>	660,792		



Village of Sheridan Governmental Funds

Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities

March 31, 2008

Total fund balances for governmental funds	\$ 521,591
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	445,696
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds.	 (259,755)
Net assets of governmental activities	\$ 707,532

Village of Sheridan Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended March 31, 2008

	General Major Street Local Street				al Street	Total Governmental Funds		
Revenues	•	400 405	•		•		•	100 105
Taxes	\$	180,135	\$	-	\$	-	\$	180,135
State revenue sharing		69,327		38,207		19,746		127,280
Charges for services		13,300		-		-		13,300
Interest income		27		2,555		1,691		4,273
Rental income		43,605		-		-		43,605
Other revenue		15,401						15,401
Total revenues		321,795		40,762		21,437		383,994
Expenditures								
Current								
General government		156,567		-		-		156,567
Public safety		57,084		-		-		57,084
Public works		, -		37,480		35,025		72,505
Recreation and culture		10,695		, -		· -		10,695
Other functions		35,796		-		-		35,796
Capital outlay		136,075		-		-		136,075
Debt service								100,010
Principal retirement		16,095		_		_		16,095
Interest and fiscal charges		8,127						8,127
Total expenditures		420,439		37,480		35,025		492,944
Excess (deficiency) of revenues over expenditures		(98,644)		3,282		(13,588)		(108,950)



Village of Sheridan Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended March 31, 2008

		Special Revenue Funds					
	General	Major Street	Local Street	Total Governmental Funds			
Other financing sources (uses)							
Transfers in	-	-	20,690	20,690			
Transfers out	(4,500)	(16,190)	-	(20,690)			
Issuance of debt	109,104	-	-	109,104			
Sale of fixed assets	1,956			1,956			
Total other financing sources and (uses)	106,560	(16,190)	20,690	111,060			
Net change in fund balance	7,916	(12,908)	7,102	2,110			
Fund balance - beginning of year	463,380	47,933	8,168	519,481			
Fund balance - end of year	\$ 471,296	\$ 35,025	\$ 15,270	\$ 521,591			

Village of Sheridan Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2008

Net change in fund balances - Total governmental funds	\$ 2,110
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense Capital outlay	(34,587) 135,687
Loan proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Debt issued	(109,104)
Repayments of long-term debt	 16,095
Change in net assets of governmental activities	\$ 10,201



Village of Sheridan Proprietary Funds Statement of Net Assets March 31, 2008

	Enterprise Funds					
		Sewer		Water		Total
Assets						
Current assets						
Cash and cash equivalents	\$	175,793	\$	296,266	\$	472,059
Receivables						
Customers		22,416		22,579		44,995
Accrued interest and other		715		2,971		3,686
Deferred bond issuance costs		-		1,364		1,364
Due from other funds		18,281		-		18,281
Prepaid items		611		877		1,488
Total current assets		217,816		324,057		541,873
Noncurrent assets						
Restricted assets						
Cash and cash equivalents		37,778		7,628		45,406
Capital assets, net		1,256,599		527,322		1,783,921
Total noncurrent assets		1,294,377		534,950		1,829,327
Total assets	\$	1,512,193	\$	859,007	\$	2,371,200
Liabilities						
Current liabilities						
Accrued and other liabilities	\$	4,250	\$	_	\$	4,250
Due to other funds	·	68,751	·	174,426	·	243,177
Current portion of noncurrent liabilities		35,000		20,000		55,000
Total current liabilities		108,001		194,426		302,427

Village of Sheridan Proprietary Funds Statement of Net Assets March 31, 2008

		Enterprise Funds					
	Sewer	Water	Total				
Noncurrent liabilities							
Long-term debt net of current portion	475,00	0 50,000	525,000				
Total liabilities	583,00	1 244,426	827,427				
Net Assets							
Invested in capital assets, net of related debt Restricted for:	746,59	9 457,322	1,203,921				
Bond reserves	37,77	8 7,628	45,406				
Prepaid items	61	•	1,488				
Unrestricted	144,20		292,958				
Total net assets	\$ 929,19	2 \$ 614,581	\$ 1,543,773				

Village of Sheridan Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets For the Year Ended March 31, 2008

	Enterprise Funds					
		Sewer	Water			Total
Operating revenue Customer fees	\$	96,373	\$	83,634	\$	180,007
Rental income	Ф ——	2,561	—	14,599	<u> </u>	17,160
Total operating revenue		98,934		98,233		197,167
Operating expenses						
Personnel services		9,290		13,796		23,086
Supplies		3,193		1,234		4,427
Contractual services		3,068		4,705		7,773
Utilities		7,226		4,588		11,814
Repairs and maintenance		11,230		14,961		26,191
Other expenses		11,668		9,890		21,558
Depreciation		55,765		17,601		73,366
Total operating expenses		101,440		66,775		168,215
Operating income (loss)		(2,506)		31,458		28,952
Nonoperating revenue (expenses)						
Interest income		8,549		13,769		22,318
Gain on sale of assets		18,000		, -		18,000
Interest expense		(26,083)		(7,262)		(33,345)
Total nonoperating revenue (expenses)		466		6,507		6,973
Change in net assets		(2,040)		37,965		35,925
Net assets - beginning of year		931,232		576,616		1,507,848
Net assets - end of year	\$	929,192	\$	614,581	\$	1,543,773

Village of Sheridan Proprietary Funds Statement of Cash Flows For the Year Ended March 31, 2008

	Business-type Activities - Enterprise Fund					se Funds
		Sewer Water			Total	
Cash flows from operating activities Receipts from customers Payments to other funds Payments to suppliers Payments to employees	\$	99,337 (17,625) (36,676) (9,290)	\$	100,903 52 (39,093) (13,796)	\$	200,240 (17,573) (75,769) (23,086)
Net cash provided by operating activities		35,746		48,066		83,812
Cash flows from capital and related financing activities Principal and interest paid on long-term debt Proceeds from sale of capital assets	_	(61,083) 18,000		(47,262) <u>-</u>		(108,345) 18,000
Net cash used by capital and related financing activities		(43,083)		(47,262)		(90,345)
Cash flows from investing activities Interest received		8,549		13,769		22,318
Net increase (decrease) in cash and cash equivalents		1,212		14,573		15,785
Cash and cash equivalents - beginning of year		212,359		289,321		501,680
Cash and cash equivalents - end of year	\$	213,571	\$	303,894	\$	517,465



Village of Sheridan Proprietary Funds Statement of Cash Flows For the Year Ended March 31, 2008

	Business-type Activities - I							
	Sewer			Water	Total			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	•	(0.500)	Φ.	04.450	Φ.	00.050		
Operating income (loss)	\$	(2,506)	Ф	31,458	\$	28,952		
Adjustments to reconcile operating income to net cash from operating activities								
Depreciation and amortization expense		55,765		17,601		73,366		
Changes in assets and liabilities								
Receivables (net)		403		2,670		3,073		
Due from other funds		(52)		-		(52)		
Prepaid items		1		(523)		(522)		
Accrued and other liabilities		(292)		(3,192)		(3,484)		
Due to other funds		(17,573)		52		(17,521)		
Net cash provided by operating activities	\$	35,746	\$	48,066	\$	83,812		

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Village of Sheridan is governed by an elected seven-member Board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Government -wide and fund financial statements

The government -wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.



The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the Village. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is primarily through state shared gas and weight taxes.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the sewer and water funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.



Assets, liabilities, and net assets or equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables — In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding July 31st. Taxes are considered delinquent on September 15th of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$15,767,096, on which ad valorem taxes consisted of 11.2233 mills for operating purposes. This resulted in \$177,932 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items –Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted investments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings 40 to 60 years
Building improvements 15 to 30 years
Water and sewer lines 50 to 75 years
Vehicles 3 to 10 years
Office equipment computer equipment 5 to 7 years
Computer equipment 3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.



In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to February 1, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Village Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Village Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended provides that a local government shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008, the Village incurred expenditures in the General Fund in excess of the amount appropriated as follows:

	Total			Amount	C	ver
<u>Fund</u>	Appropriation			<u>xpended</u>	<u>Βι</u>	<u>ıdget</u>
General Fund						
Recreation and culture	\$	9,980	\$	10,695	\$	715
Capital outlay		2,100		136,075	13	3,975
Debt service		13,405		24,222	1	0,817
Transfers out		-		4,500		4,500
Major Street						
Transfers out		8,606		16,190		7,584



NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

				estricted ash and	
	Cas	h and Cash			
	Ec	quivalents	Eq	uivalents	
		-			
Governmental activities	\$	284,454	\$	-	
Business-type activities		472,059	_	45,406	
Total primary government	\$	756,513	\$	45,406	

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk — State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 707,650 was exposed to custodial credit risk because it was uninsured and uncollate ralized.

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Un	earned
Primary government		
Other revenue	\$	5,595

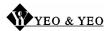


NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

		Beginning Balance Increases		_	Decreases	Ending Balance		
Governmental activities Capital assets not being depreciated Land	\$	15,900	\$	74,883	\$	-	\$	90,783
Capital assets being depreciated Buildings, additions and improvements Machinery and equipment		845,062 267,391	_	- 60,804	_	- 27,500	_	845,062 300,695
Total capital assets being depreciated	_	1,112,453	_	60,804		27,500	_	1,145,757
Less accumulated depreciation for Buildings, additions and improvements Machinery and equipment		553,676 230,081	_	11,342 23,245	_	27,500	_	565,018 225,826
Total accumulated depreciation		783,757	_	34,587	_	27,500	_	790,844
Net capital assets being depreciated	_	328,696	_	26,217	_		_	354,913
Governmental activities capital assets, net	\$	344,596	\$	101,100	\$		\$	445,696

	Beginning Balance	_	Increases		Decreases	_	Ending Balance
Business-type activities							
Capital assets not being depreciated							
Land	\$ 30,835	\$	-	\$	-	\$	30,835
Capital assets being depreciated							
Buildings, additions and improvements	171,248		-		-		171,248
Machinery and equipment	122,714		-		25,718		96,996
Water system	795,501		-		-		795,501
Sewer system	 2,371,034	_		_	-	_	2,371,034
Total capital assets being depreciated	 3,460,497	_		_	25,718	_	3,434,779
Less accumulated depreciation for							
Buildings, additions and improvements	120,428		6,297		-		126,725
Machinery and equipment	114,648		2,356		25,718		91,286
Water system	261,745		17,269		· -		279,014
Sewer system	 1,137,224	_	47,444	_	-	_	1,184,668
Total accumulated depreciation	 1,634,045	_	73,366	_	25,718	_	1,681,693
Net capital assets being depreciated	 1,826,452	_	(73,366)	_		_	1,753,086
Business-type capital assets, net	\$ 1,857,287	\$	(73,366)	\$		\$	1,783,921



Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

\$	9,746
	556
	20,549
_	3,736
_	34,587
	55,765
_	17,601
	73,366
\$	107,953

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	<u> </u>	Amount
General Fund			
	Major Street	\$	24,248
	Local Street		45,676
	Sewer Fund		86,324
	Water Fund		171,382
Local Street Fund			
	Major Street		3,416
	General Fund		15,215
Sewer Fund			
	General Fund		17,573
	Major Street		4,593
	Local Street		10,644
	Water Fund		3,044
		\$	382,115

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:



Funds Transferred From	Funds Transferred To	 Amount
Major Street General Fund	Local Street Local Street	\$ 16,190 4,500
		\$ 20,690

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

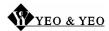


NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Long-term obligation activity is summarized as follows:

Governmental activities Notes payable	 nmount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions		Ending Balance	e Within ne Year
Construction loan Business loan	\$ 176,550 48,250	2010 2028	4.50% 7%	\$494 - \$563 \$1,157 - \$4287	\$ 166,746 -	\$ - 48,900	\$ 6,39	5 \$	160,351 48,900	\$ 6,143 1,157
Capital leases										
Equipment lease	57,343	2012	6%	\$14,084 - \$14,267	<u>-</u>	60,204	9,70	<u> </u>	50,504	 12,115
Total governmental activities					\$ 166,746	\$ 109,104	\$ 16,09	5 \$	259,755	\$ 19,415
Business-type activities Bonds and notes payable General obligation bonds Sewer revenue bonds Water revenue bonds	\$ 875,000 300,000	2019 2011	5% 7%	\$35,000 - \$60,000 \$20,000 - \$25,000	\$ 545,000 110,000	\$ - -	\$ 35,00 		510,000 70,000	\$ 35,000 20,000
Total bonds payable	•				\$ 655,000	\$ -	\$ 75,00	\$	580,000	\$ 55,000



Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending	Government	al Activities	Business-ty	pe Activites
December 31,	Principal	Interest	Principal	Interest
2009	19,467	14,352	\$ 55,000	30,215
2010	19,798	12,061	60,000	27,075
2011	161,795	6,008	65,000	23,625
2012	14,970	3,431	40,000	19,875
2013	1,627	3,065	45,000	19,000
2014-2018	9,455	13,500	255,000	65,000
2019-2020	13,322	9,631	60,000	1,500
2022-2026	19,321	4,182		
	\$ 259,755	\$ 66,230	\$ 580,000	\$ 186,290

NOTE 9 - RESTRICTED ASSETS

The balances of the restricted assets accounts in the Enterprise Funds are as follows:

Cash and cash equivalents \$44,459

NOTE 10 - RISK MANAGEMENT

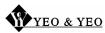
The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The pension plan of the Village is a defined contribution plan administered by National Financial Services, LLC, which provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the participant's account are to be determined rather than specifying the amount of benefits the participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account. Contributions made by the Village vest immediately. The Village's required and actual contribution for the year ended March 31, 2008, was \$ 9,889.

NOTE 12 – RELATED PARTY TRANSACTIONS

For the year ended March 31, 2008, the Village engaged in business transactions with several Board members for the purchase of goods and services in the amount of \$12,936.

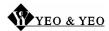


NOTE 13 – LEASES

Capital Leases

The Village has a capital lease for a tractor. The future minimum lease payments are as follows:

Year ending March 31,		
2009	\$	14,336
2010		14,336
2011		14,336
2012		14,336
Total minimum lease payments Less amount representing interest		57,344 6,840
Present value of minimum lease payments	s <u>\$</u>	50,504
Asset Machinery and equipment Less accumulated depreciation	\$	60,204 3,584
Total	\$	56,620



Village of Sheridan Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2008

	Budgeted	d Amounts		Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
Taxes				
Property taxes	\$ 174,945	\$ 174,945	\$ 180,135	\$ 5,190
State revenue sharing	45,000	45,000	69,327	24,327
Charges for services	9,725	9,725	13,300	3,575
Interest income	2,500	8,500	27	(8,473)
Rental income	24,000	18,000	43,605	25,605
Other revenue	4,582	4,582	15,401	10,819
Sale of fixed assets	-	-	1,956	1,956
Capital lease proceeds	-		109,104	109,104
Total revenues	260,752	260,752	432,855	172,103
Expenditures				
General government				
Township board	126,447	128,293	109,850	(18,443)
Supervisor	1,500	1,500	-	(1,500)
Clerk	8,818	8,818	8,918	100
Treasurer	28,858	29,969	35,423	5,454
Elections	200	200	-	(200)
Attorney	1,000	1,750	1,440	(310)
Cemetery	5,780	4,780	936	(3,844)
Total general government	172,603	175,310	156,567	(18,743)
Public safety				
Police	34,100	34,100	35,084	984
Fire department	22,150	22,150	22,000	(150)
Total public safety	56,250	56,250	57,084	834
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Village of Sheridan Required Supplemental Information Budgetary Comparison Schedule General Fund

For the Year Ended March 31, 2008

	Budgeted /	Δmounts		Actual Over (Under) Final
	Original	Final	Actual	Budget
Recreation and culture				
Parks and recreation	1,900	1,900	363	(1,537)
Community Center	7,350	8,080	10,332	2,252
Total recreation and culture	9,250	9,980	10,695	715
Other functions				
Insurance and bonds	22,250	30,415	31,290	875
Unallocated employee fringe benefits	31,866	60,866	4,506	(56,360)
Total other functions	54,116	91,281	35,796	(55,485)
Capital outlay	33,597	2,100	136,075	133,975
Debt service				
Principal retirement	6,391	6,395	16,095	9,700
Interest and fiscal charges	6,604	7,010	8,127	1,117
Total debt service	12,995	13,405	24,222	10,817
Transfers out		<u> </u>	4,500	4,500
Total expenditures and transfers out	338,811	348,326	424,939	76,613



Village of Sheridan Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2008

	Budgeted	Amounts		Actual Over (Under) Final
	Original	Final	Actual	Budget
Excess (deficiency) of revenues over expenditures	(78,059)	(87,574)	7,916	95,490
Fund balance - beginning of year	463,380	463,380	463,380	<u> </u>
Fund balance - end of year	\$ 385,321	\$ 375,806	\$ 471,296	\$ 95,490

Village of Sheridan Required Supplemental Information Budgetary Comparison Schedule Major Street

For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Over (Under) Final	
	Original Final	Actual	Budget	
Revenues				
State revenue sharing	\$ 37,000 \$ 37,000	\$ 38,207	\$ 1,207	
Interest income	2,0002,000	2,555	555	
Total revenues	39,000 39,000	40,762	1,762	
Expenditures Current				
Public works	33,841 41,738	37,480	(4,258)	
Transfers out	<u>8,606</u> <u>8,606</u>	16,190	7,584	
Total expenditures	42,447 50,344	53,670	3,326	
Deficiency of revenues over expenditures	(3,447) (11,344)	(12,908)	(1,564)	
Fund balance - beginning of year	47,933 47,933	47,933		
Fund balance - end of year	<u>\$ 44,486</u> <u>\$ 36,589</u>	\$ 35,025	\$ (1,564)	

Village of Sheridan Required Supplemental Information Budgetary Comparison Schedule Local Street Fund For the Year Ended March 31, 2008

	Budgeted Amounts							Actual er (Under) Final
	Original Final			inal		Actual	E	Budget
Revenues								
State revenue sharing	\$	18,431	\$	18,431	\$	19,746	\$	1,315
Interest income		1,033		1,033		1,691		658
Transfers in		8,606		13,106		20,690		7,584
Total revenues		28,070		32,570		42,127		9,557
Expenditures Current								
Public works		27,790		38,489		35,025		(3,464)
Excess (deficiency) of revenues over expenditures		280		(5,919)		7,102		13,021
Fund balance - beginning of year		8,168		8,168		8,168		
Fund balance - end of year	<u>\$</u>	8,448	\$	2,249	\$	15,270	\$	13,021